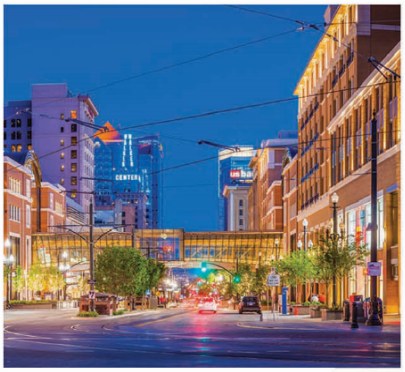

BUILDING ENVELOPE

CONSULTING

FORENSIC RESTORATION

PARKING DESIGN

PLANNING

Parking System Rate Analysis
2020 Update

City of Rochester, MN

July 2020

WALKER CONSULTANTS

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EXECUTIVE SUMMARY

Walker Consultants completed parking rate studies for the City of Rochester in 2008 and 2017. Given our previous experience in this area, the City again engaged Walker to perform a study of parking rates and provide updated rate recommendations that would allow the Rochester Parking Enterprise Fund (the "PEF" or "Fund") to remain solvent over the long-term.

As part of this project, Walker:

- Asked the City to identify the future capital needs of the Fund;
- Obtained and reviewed historical data regarding revenue-generating entities of the Fund;
- Developed 20-year financial models for the Fund under two scenarios – one assuming construction of Ramp 7 and one assuming Ramp 7 is not built, and;
- Developed an alternative financial model to illustrate the potential performance of the Fund assuming significant, lasting reductions in parking demand due to the COVID-19 pandemic.

Guiding principles and goals set forth by the City for Walker's parking rate analysis are to achieve the following:

- Provide sufficient revenue to cover annual operating expenses;
- Fund routine capital repairs and maintenance of the parking facilities and technology;
- Allow the City to meet future parking-related debt service obligations with no reliance on TIF and total reliance on the Parking Enterprise Fund;
- Identify opportunities to base future rate changes on utilization and parking demand;
- Delay transient parking rate increases in the off-street facilities by adjusting contract parking rates, and;
- Support smart parking management objectives, including the Rochester-Olmsted Council of Governments ("ROCOG") 2040 Long Range Transportation Plan and the Destination Medical Center master plan.

In constructing the financial models, Walker relied on our knowledge of the parking industry and experience analyzing similar parking systems, as well as several major assumptions provided by the City. The modeling assumptions provided by the City include:

- The 393-space Center Street Ramp will be demolished if Ramp 7 is built.
- If Ramp 7 is built, it will contain approximately 1,200 spaces and will open to the public on January 1, 2024.
- The 435-space 2nd Street Ramp will be demolished in mid-2024 and replaced with a similar-sized facility on the same site at a cost of $20,000,000; the new 2nd Street Ramp will open to the public in January 2026.
- Given its age and the cost to maintain the facility, the replacement of the 2nd Street Ramp will occur regardless of whether Ramp 7 is built.
- If built, Ramp 7 will cost $38,000,000 to construct.

Based upon Walker's modeling, if Ramp 7 is not constructed, only minor, infrequent future parking rate increases are necessary to ensure that the Fund remains financially self-sustaining. However, if Ramp 7 is constructed, significant rate increases will be necessary. In either case, Walker recommends that contract and transient parking rates not be increased in 2021, to help promote Rochester's recovery from the COVID-19 pandemic.

INTRODUCTION

Walker Consultants ("Walker") prepared parking rate studies for the City of Rochester (the "City") in 2008 and 2017. Given our previous experience in this area, the City engaged Walker to perform a similar study and provide updated rate recommendations for the entities that generate the revenue, incur operating expenses, and provide the net income contributed annually to the Rochester Parking Enterprise Fund (the "PEF" or "Fund"), to ensure that the PEF remains solvent over the long-term. As part of this project, Walker:

- Asked the City to identify the future capital needs of the Fund;
- Obtained and reviewed historical data regarding revenue-generating entities of the Fund;
- Developed 20-year financial models for the Fund under two scenarios – one assuming construction of Ramp 7 and one assuming Ramp 7 is not built, and;
- Developed an alternative financial model to illustrate the potential performance of the Fund assuming significant, lasting reductions in parking demand due to the COVID-19 pandemic.

The guiding principles and goals set forth by the City for Walker's updated parking rate analysis are meant to achieve the following: 1) provide sufficient revenue to cover annual operating expenses; 2) fund routine capital repairs and maintenance of the parking facilities and technology; 3) allow the City to meet future parking-related debt service obligations with no reliance on TIF and total reliance on the Parking Enterprise Fund; 4) identify opportunities to base future rate changes on utilization and parking demand; 5) delay transient parking rate increases in the off-street facilities by adjusting contract parking rates, and; 6) support smart parking management objectives, including the Rochester-Olmsted Council of Governments ("ROCOG") 2040 Long Range Transportation Plan and the Destination Medical Center master plan.

Based on discussions with the City, the following assumptions were made when constructing the financial models:

- The 393-space Center Street Ramp will be demolished if Ramp 7 is built.
- If Ramp 7 is built, it will contain approximately 1,200 spaces and will open to the public on January 1, 2024.
- The 435-space 2nd Street Ramp will be demolished in mid-2024 and replaced with a similar-sized facility on the same site at a cost of $20,000,000; the new 2nd Street Ramp will open to the public on January 1, 2026.
- Given its age and the cost to maintain the facility, the replacement of the 2nd Street Ramp will occur regardless of whether Ramp 7 is built.
- If built, Ramp 7 will cost $38,000,000 to construct.

As currently structured, the PEF is comprised of revenue and non-revenue generating entities, all managed by Rochester Municipal Parking ("RMP"), which are defined as follows:

- Administration;
- Parking Ramps;
- Parking Lots;
- Meters;
- Enforcement/Citations, and;

- Residential Permits.

City staff members administer the PEF and a third-party parking management agreement (managed by the RMP) exists with Lanier Parking ("Lanier"), now part of REEF Technology, to operate the ramps and lots. Together, RMP and Lanier are charged with the collection and reconciliation of all parking-related revenue. Additionally, pursuant to the covenants of the PEF, the Fund cannot operate at an annual deficit.

Based upon information provided by RMP and Lanier, roughly $7.60MM in net revenue (after tax) was collected and about $4.89MM in operating expenses were expended to manage the Fund in 2019, resulting in net operating income of approximately $2.71MM. The subtraction of the debt service associated with Ramp 6 of $1.45MM results in a net income of about $1.27MM. **Table 1** presents the detailed PEF revenues and expenses by category for 2019.

Table 1: Parking Enterprise Fund Financial Performance 2019 (actual)

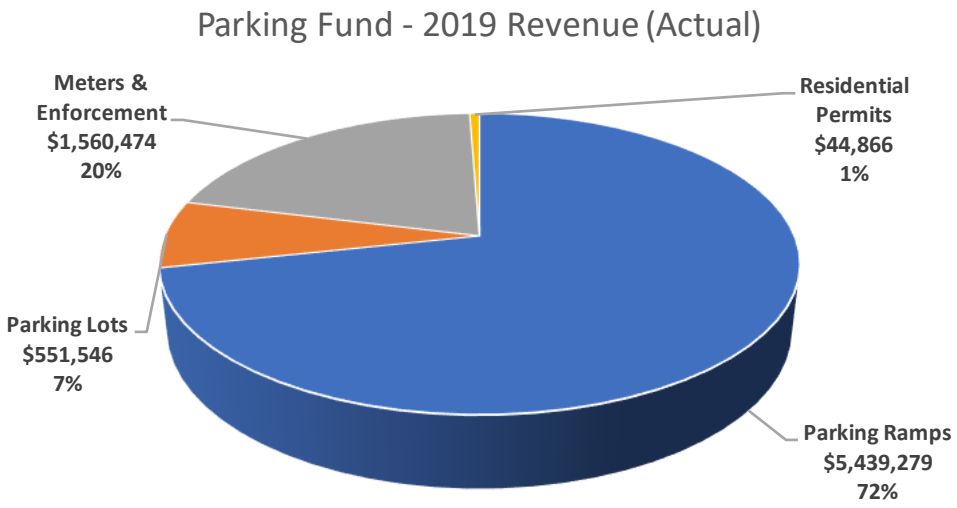
Operating Segment	Revenue	% of Total Revenue	Expenses	% of Total Expenses
Administration	$268	0.0%	$319,317	6.5%
Parking Ramps	$5,439,279	71.6%	$3,227,209	66.0%
Parking Lots	$551,546	7.3%	$221,787	4.5%
Meters & Enforcement	$1,560,474	20.5%	$1,037,711	21.2%
Residential Permits	$44,866	0.6%	$80,144	1.6%
Totals	**$7,596,434**	**100.0%**	**$4,886,168**	**100.0%**

Net Operating Income	**$2,710,266**
Annual Debt Service	$1,454,000
Net Income	**$1,256,266**

Source: City of Rochester; Lanier Parking

As shown in the table, nearly 72% of the annual revenue generated for the Fund is derived from the City's parking ramps, the non-metered surface lots account for 7%, on- and off-street parking meter and enforcement operations contribute more than 20% of the revenue, and residential permits account for the balance (see **Figure 1**). Assessing the same entities regarding operating expenses, the ramps and lots account for about 66% and 4.5% of expenditures, respectively, meters and parking enforcement account for 21%, residential permits over 1.5%, and administrative expenses are 6.5% of the total. Discounting administrative costs that are spread across all the operating segments, the residential permit segment was the only portion of the operation to operate at a loss in 2019.

Figure 1: Parking Fund Revenue – 2019 (Actual)



Source: City of Rochester; Lanier Parking; Walker Consultants

In addition to the 2019 financials, Walker also reviewed actual data dating back to the completion of the 2017 rate study, as well as data from the first few months of 2020. While the January and February 2020 data indicated that the Fund was off to a strong start to the year, the impacts of the COVID-19 pandemic began to be felt in March. As such, any revenue, expense, or utilization data provided for March 2020 and later was assumed to represent an atypical period of demand in downtown Rochester and, as such, was not used in the development of Walker's primary financial models.

Given the guiding principles set forth for Walker's updated analysis, the enclosed financial models were developed, along with proposed parking rate recommendations and strategies to help the City of Rochester plan for the future of its public parking system.

2017 PARKING RATE ANALYSIS

2017 PARKING RATE ANALYSIS GOALS AND RESULTS

When Walker completed its previous analysis of parking rates back in 2017, in addition to the overarching goals of keeping the PEF solvent long-term and advancing the DMC Master Plan, the City had several other specific goals it hoped to accomplish. During the 2017 study, the City's specific goals included:

- Simplifying the transient rate structure in the City's parking ramps;
- Adding transient parking capacity to the parking system;
- Reducing the number of monthly parking contracts from ±2,000 accounts to ±1,400 accounts by 2022, and;
- Increasing contract rates to 80% of the posted all-day rate by 2022.

At the time of the 2017 study, depending on the location, the rate schedule for daily (transient) parking in the City's parking ramps included up to 20 individual rate categories, as shown in **Table 2**. Having this number of rate categories can confuse people pulling into a parking facility and make it difficult to quickly determine how much it will cost to park for a given length of time.

Table 2: Parking Ramp Transient Rate Categories, 2017

Center Street Ramp (2017)	
< 60 minutes	$0.00
>60 to 90 minutes	$3.50
>90 - 2 hours	$4.50
> 2 to 2.5 hours	$5.50
> 2.5 to 3 hours	$6.00
> 3 to 3.5 hours	$6.50
> 3.5 to 4 hours	$7.00
> 4 to 4.5 hours	$7.50
> 4.5 to 5 hours	$8.00
> 5 to 5.5 hours	$8.50
> 5.5 to 6 hours	$9.00
> 6 to 6.5 hours	$9.50
> 6.5 to 7 hours	$10.00
> 7 to 7.5 hours	$10.50
> 7.5 to 8 hours	$11.00
> 8 to 8.5 hours	$11.50
> 8.5 to 9 hours	$12.00
> 9 to 9.5 hours	$12.50
> 9.5 to 10 hours	$13.00
>10 to 24 hours	$13.50
After 5PM/Weekends	$0.00
Events	$0.00

Other City Ramps (2017)	
< 60 minutes	$0.00
>60 to 90 minutes	$3.50
>90 - 2 hours	$4.50
> 2 to 2.5 hours	$5.50
> 2.5 to 3 hours	$6.00
> 3 to 3.5 hours	$6.50
> 3.5 to 4 hours	$7.00
> 4 to 5 hours	$7.50
> 5 to 9 hours	$8.50
> 9 to 12 hours	$9.50
>12 to 24 hours	$13.50
After 5PM/Weekends	$0.00
Events	$0.00

Source: City of Rochester; Walker Consultants

As a result of the 2017 study, Rochester City Council approved a simplification of the transient parking rate categories in the City's parking ramps, as shown in **Table 3**.

Table 3: Parking Ramp Transient Rate Categories, Current

All City Parking Ramps	
< 60 minutes	$0.00
> 1 to 1.5 hours	$3.00
Each add. 30 minutes	$1.00
> 6 to 12 hours	$14.00
> 12 to 24 hours	$16.00
After 5PM/Weekends	$0.00

Source: City of Rochester; Walker Consultants

In addition to simplifying the transient rate structure, the City also sought to increase the supply of parking in the City's off-street facilities available to transient parkers. To accomplish this goal, a combination of strategies were employed, including increasing contract parking rates, reducing the number of monthly contracts issued, allowing transient parking in existing facilities previously dedicated to contract parking, and adding inventory to the system. In fact, increases to contract parking rates were intended to serve a dual purpose – making more inventory available for transient parkers and bringing contract rates in line with industry best practices for pricing.

Historically, the fees charged for contract monthly parking in the City's ramps and lots has been undervalued. According to industry standards, the cost for daytime contract parking is typically discounted to about eighty percent (80%) of the cost to park for twenty (20) days monthly, at the all-day rate. Based on the all-day transient rate of $16.00, the goal of the 2017 study was to bring the daytime contract rate up to $256.00 by 2022 (i.e. $16.00 all-day x 20 days = $320; discounted by 20% = $256.00). **Table 4** presents the contract parking rate schedule proposed by Walker as part of the 2017 study, which was based on growing the daytime contract rate to the 80% threshold by 2022.

Table 4: Contract Parking Rates for 2018-2022 Proposed in the 2017 Rate Study

Type	2017	2018	2019	2020	2021	2022	Compare (All-Day) $320.00
24/7 Non-Residential	$155.00	$175.00	$182.00	$210.00	$255.00	$288.00	90%
24/7 Residential (Tax Exempt)	$148.63	$168.00	$196.00	$210.00	$225.00	$288.00	90%
24/7 Commercial	$170.00	$190.00	$224.00	$270.00	$315.00	$352.00	110%
24/7 Random	$105.00	$125.00	$168.00	$210.00	$240.00	$288.00	90%
Daytime (5AM - 2AM)	$95.00	$115.00	$154.00	$195.00	$225.00	$256.00	80%
Flex	$90.00	$110.00	$140.00	$180.00	$210.00	$224.00	70%
Rooftop	$105.00	$125.00	$168.00	$195.00	$225.00	$240.00	75%

Source: Walker Consultants

As of the date of this report, the daytime contract rate in all parking ramps – other than the Center Street Ramp – is $154 per month or about 50% of the comparable all-day transient rate; given its location and the demand for the facility, the daytime contract rate in the Center Street Ramp is $182 per month. While the 2017 parking rate study recommended additional increases to contract rates in 2020 and beyond, as shown in the table, these rates have not been implemented. However, the contract parking rate increases that have occurred have resulted in the number of paid monthly contracts dropping from ±2,000 in 2017 to ±1,600 as of February 2020. While not yet at the ±1,400 contract parker goal stated in the previous study, the drop in the number of contract parkers has increased the parking capacity available for transient parkers, while the ratio of the contract rate to the all-day rate has also moved closer to the industry standard 80%.

In addition to fewer monthly parking contracts, other factors have contributed to an increase in the supply of public parking available for transients throughout downtown Rochester since the 2017 study. During 2019, the

newly-constructed Ramp 6 opened (March), bringing ~400 new spaces online, the 3rd Street Ramp was converted from contract parking only to a mix of contract and transient parking (July), and the Civic Center North Lot transitioned from an all-day flat rate operation to metered parking (December), increasing the facility's appeal as a transient parking location.

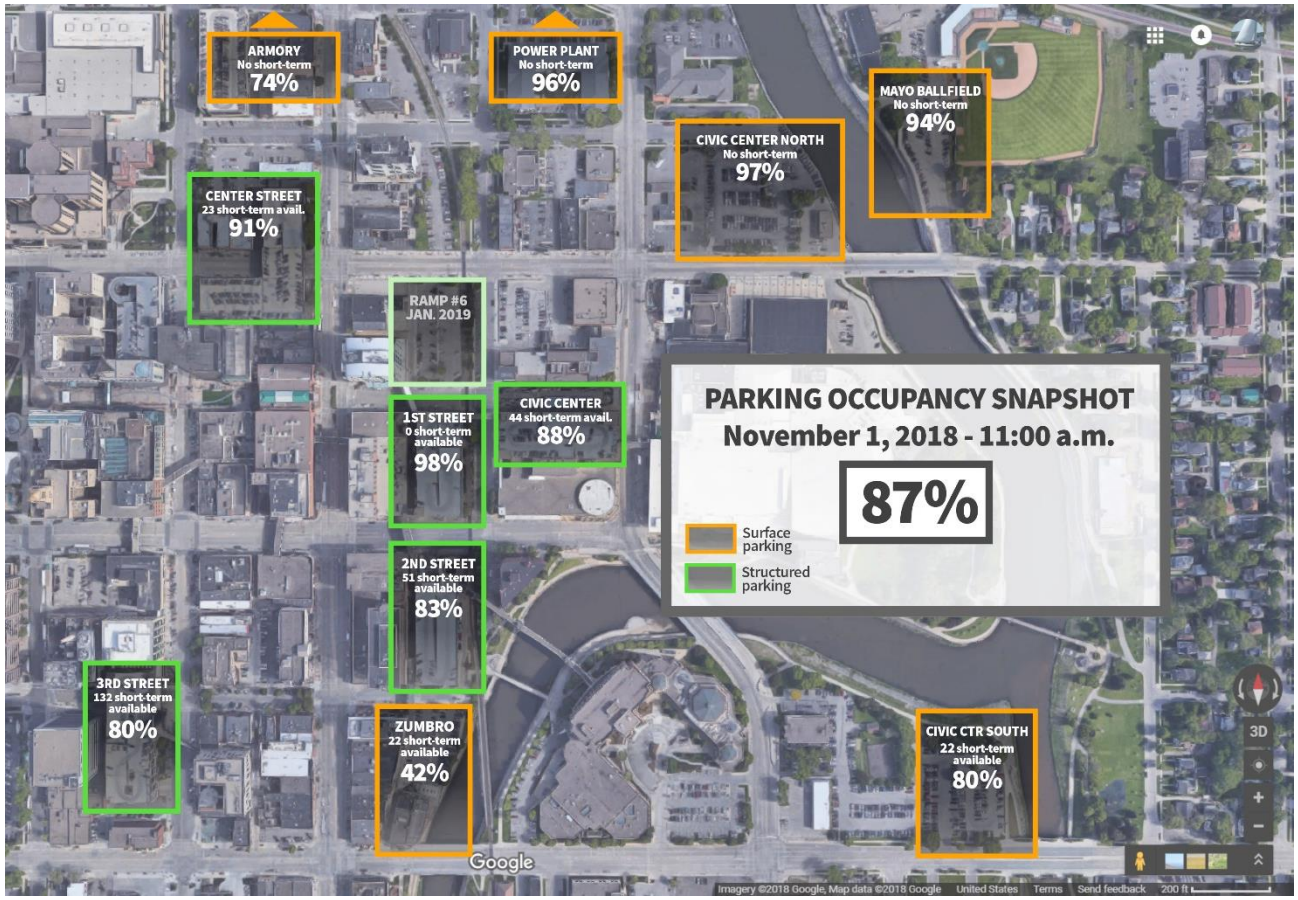
By implementing both contract and transient parking rate increases, adding Ramp 6 to the system, and making the other noted operational changes, the City's off-street parking facilities now consistently have more capacity to serve additional parking customers than when the previous study was conducted. **Figure 2** presents a snapshot of the utilization of the City's parking ramps and surface lots on Thursday, November 1, 2018, versus a Thursday in early November 2019. This graphic and the underlying data was based on actual counts of parked vehicles provided to Walker by Lanier Parking.

As shown in the below figure, in addition to drops in the utilization of individual facilities, utilization of the City's off-street parking assets as a whole dropped from 87% in November 2018 to 65% in November 2019. While this is only a snapshot of one day's worth of parking activity in each November, both the City and Lanier Parking confirm that there is generally increased availability of parking throughout downtown. Additionally, the number of instances of when the facilities fill and are incapable of accommodating additional parkers – historically an issue at the Center Street, Civic Center, 1st Street, and 2nd Street ramps – dropped by more than 40% from 2018 to 2019 (574 instances in 2018 to 331 instances in 2019). Finally, the waiting list for monthly parking contracts, which, according to the City and Lanier, has been notoriously long and slow to result in a monthly parking contract for a new customer, has been cleared as of May 2020.

2017 PARKING RATE ANALYSIS CONCLUSIONS

Over the past several years, progress has been made by the City toward achieving the goals used as the basis for the 2017 parking rate analysis. Additionally, despite the drop in monthly contract parkers, RMP's ongoing capital maintenance and technology replacement projects, and the PEF taking on debt to finance the construction of Ramp 6, as shown previously in Table 1, the Fund continues to generate positive net income every year.

Figure 2: Parking Ramp and Lot Occupancy Comparison, November 2018 to November 2019



Source: Lanier Parking; Walker Consultants

November 2019

- **Overall – 65%**
- Center Street – 89%
- Civic Center – 66%
- Ramp 6 – 28%
- 1st Street – 59%
- 2nd Street – 56%
- 3rd Street – 77%
- Surface Lots – 70%

STATUS QUO FINANCIAL MODEL

In order to provide a sense of how the Fund can be expected to perform financially in the future if the system keeps operating as it is today with no new parking facilities added, Walker developed a version of the model to reflect the "status quo". The Status Quo model is intended to show how the net income of the system is expected to change over time, as the costs to operate the system increase because of inflation, assuming no additional parking rate increases are implemented. The following assumptions were made by Walker when formulating the Status Quo financial model for the PEF:

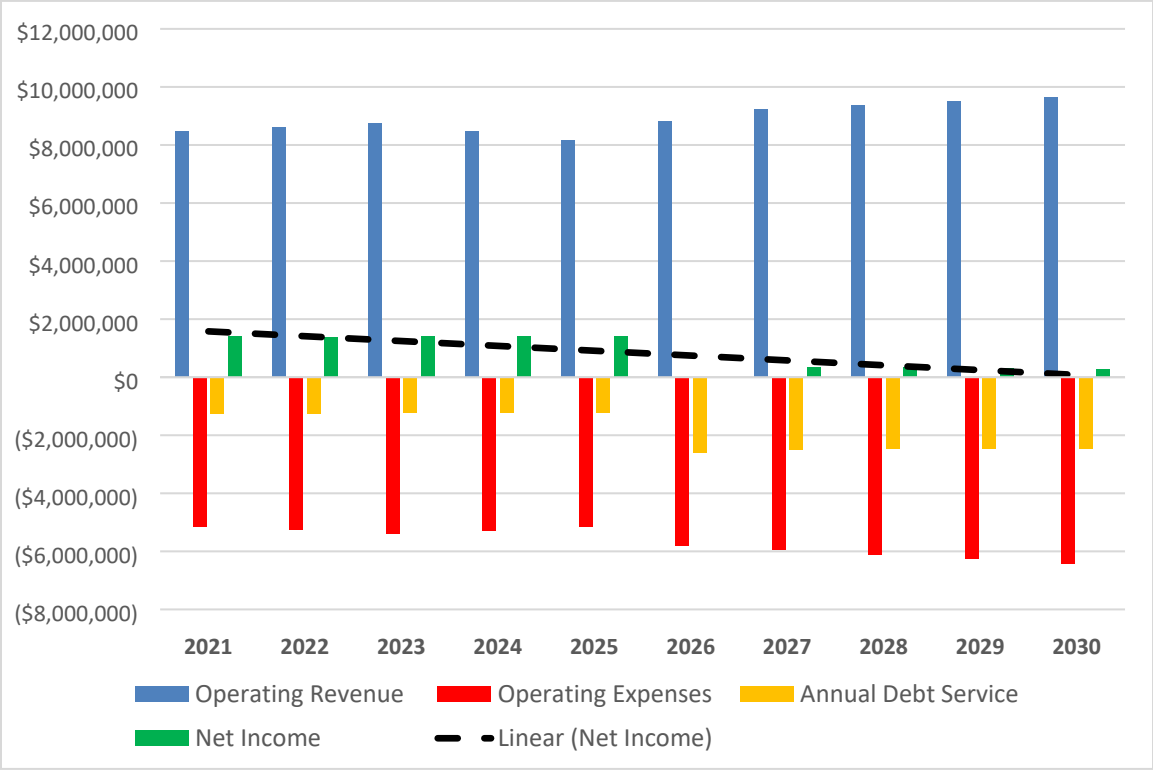
- No parking rate increases will occur over the next 20 years;
- Free parking will continue to be offered in the City's parking ramps for stays of less than 1 hour, as well as after 5 PM and on the weekends;
- Demand growth matches projected population growth for Olmsted County, based on data from the Rochester-Olmsted Council of Governments – 1.5% annually from 2021-2030, 1.0% annually thereafter;
- The 2nd Street Ramp is demolished in mid-2024 and replaced with a similar-sized facility in the same location, at a total cost of $20MM and opening in January 2026;
- Construction of the replacement 2nd Street Ramp will be financed with 20-year, 4.5% bonds;
- Operating expenses grow by 2.5% annually to match the long-term historical rate of inflation, and;
- Demand for parking in downtown Rochester returns to pre-COVID-19 levels by January 2021.

It should be noted that these assumptions, aside from the lack of rate increases, are also common to the two additional models presented later in this report.

The assumption that the 2nd Street Ramp will be replaced has been made in all scenarios, since this facility warrants replacement in the near future. At more than 40 years old, the 2nd Street Ramp is at the end of its useful life. Beyond a few more years of operation, the expense associated with maintaining the facility to keep it safely operating will exceed the cost and benefit of demolishing the structure and rebuilding it. For this reason, this assumption was considered mandatory for all of Walker's modeling scenarios.

Based on the above assumptions, **Figure 3** presents the outputs of Walker's Status Quo financial model for the City's Parking Enterprise Fund.

Figure 3: Rochester Parking Enterprise Fund Status Quo Model, 2021-2030



Source: Walker Consultants

As shown in the above figure, in this scenario, operating revenue generated by the City of Rochester's parking system is expected to grow slowly over the next 10 years, as a result of population-driven demand growth. However, operating expenses are also expected to grow because of inflation. Additionally, when the 2nd Street Ramp is replaced and debt service payments begin (assumed to occur in 2026), the annual debt service payment from the Fund is expected to more than double (from ~$1.2MM to ~$2.5MM annually). The result is steadily declining net income, with a dip to slightly negative territory in 2026. Net income is projected to continue to decline beyond 2030, with the Fund operating at an annual loss in 2034 and every subsequent year thru the end of the 20-year projection period. Again, these projections assume that demand for parking in Rochester returns to pre-COVID-19 levels in January 2021.

2020 PARKING RATE ANALYSIS FINANCIAL MODELS

2020 FINANCIAL MODEL BACKGROUND

Operating and maintaining parking facilities and equipment, enforcing parking regulations, and managing the various aspects of the City of Rochester's on- and off-street parking system is costly. Additionally, as parking facilities and equipment age, they become more expensive to maintain and, eventually, must be replaced. Because of this, without a certain level of revenue growth over time, the cost to operate the parking system could exceed the revenue generated by the system over the long-term, as demonstrated by the Status Quo model. In order to provide RMP and the City of Rochester with a sense of the degree and frequency of future parking rate changes that could be necessary to maintain solvency in the PEF and work toward the City's other goals, Walker was tasked with developing two financial models for the Fund – one based on the construction of Ramp 7 and one without Ramp 7.

NO RAMP 7 MODEL

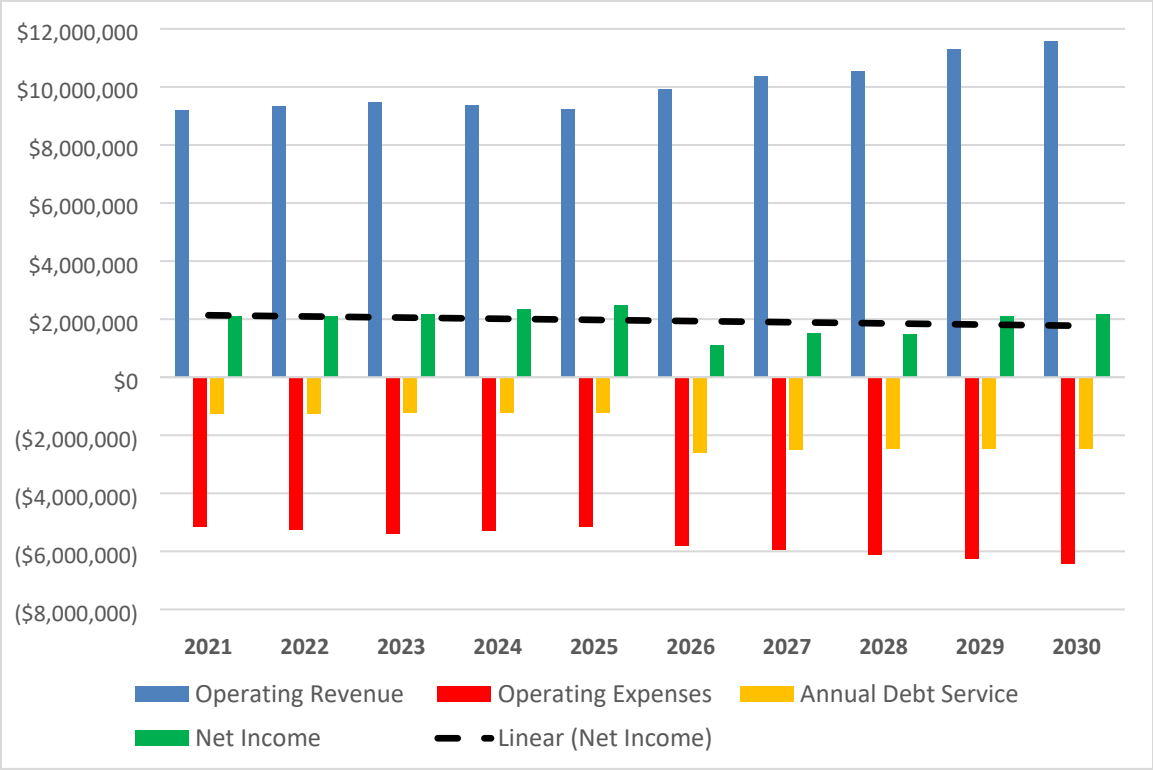
Before the onset of the COVID-19 pandemic, the City's parking system consistently generated positive net income every year. For this reason, as demonstrated by the Status Quo model, even without future parking rate increases, it is anticipated that the Fund could continue to be self-sustaining for at least the next 10 years – again, with a return to pre-COVID levels of demand. However, to account for the growing costs of operating and maintaining the parking system, including the necessary replacement of the 2nd Street Ramp, and to maintain a consistent level of net income for the Fund, some future parking rate increases will be necessary. Walker's first modeling scenario, the "No Ramp 7" model, was developed to maintain a consistent net income for the Fund, while also striving towards the smart parking management practices of contract rates that are 80% of equivalent all-day transient rates, higher on-street rates to promote turnover, and encouraging shifts away from single-occupant vehicles. Specifically, the No Ramp 7 model assumes:

- Implementation of previously approved parking meter rates and citation fine amounts in 2021;
- Contract parking rates increase **10%** in 2024;
- Transient parking rates increase **5%** in 2029;
- Parking meter rates increase **10%** in 2029;
- Fines for parking citations increase **20%** in 2025 and **10%** in 2030;
- Residential permit rates increase **20%** in 2022 and **10%** in 2027, and;
- All parking rates increase by the same increments every 5 years.

While the above rate increases are all presented as percentages for the purposes of modeling, ideally, future increase to both transient and parking meter rates would occur in $0.25 increments. These increments make it easier for customers to calculate their potential parking costs, as well as to pay for parked time with coins.

Based on the above assumptions, **Figure 4** presents the outputs of Walker's No Ramp 7 financial model for the City's Parking Enterprise Fund.

Figure 4: Rochester Parking Enterprise Fund No Ramp 7 Model, 2021-2030



Source: Walker Consultants

As shown in the above figure, operating revenue generated by the parking system is expected to grow over the next 10 years, as a result of rate increases and population-driven demand growth. Compared to the Status Quo model in Figure 3, this model results in nearly flat net income over the next 10 years, with net income increasing beyond 2030. Unlike the Status Quo scenario, the net income generated by the parking system remains stable, allowing the Fund to continue to cover all its operating and debt service obligations.

RAMP 7 MODEL

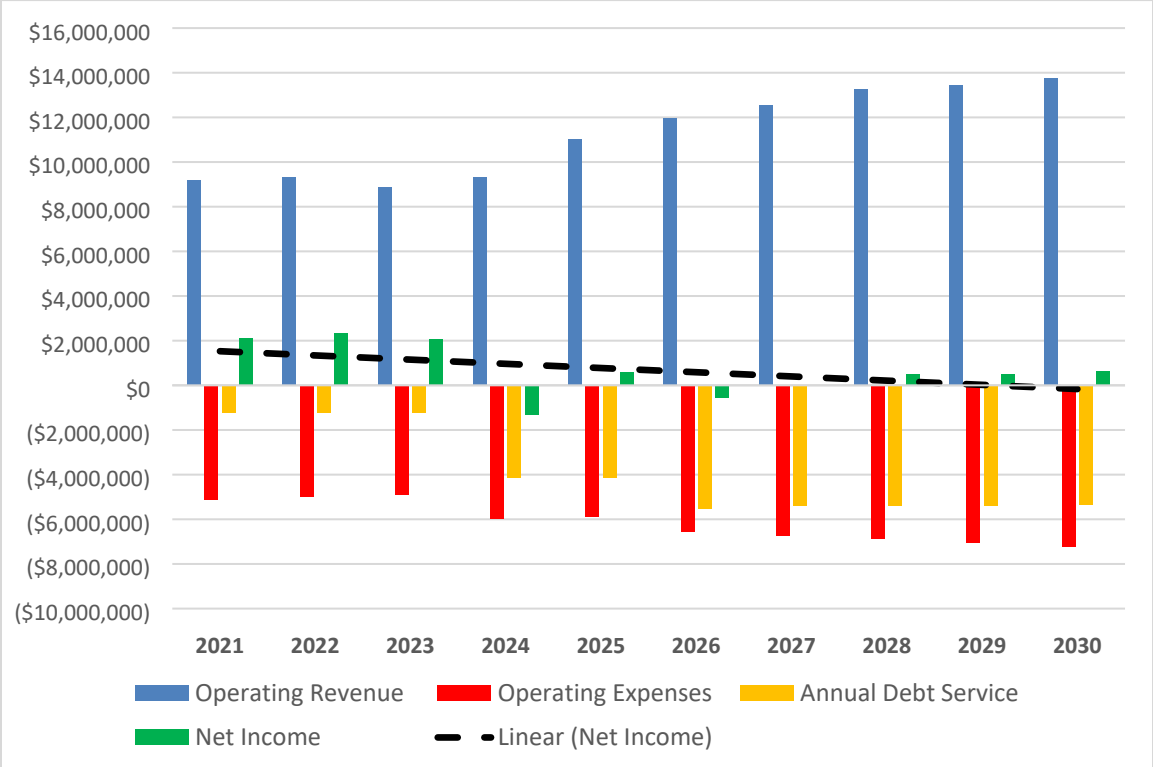
As the name implies, Walker's second financial model, the "Ramp 7" model, was developed to reflect the impacts of the City constructing a 1,200-space Ramp 7, at a cost of $38MM. Like the No Ramp 7 model, the Ramp 7 model aims to maintain consistent net income for the Fund, while also striving towards the noted smart parking management practices. The major assumptions in the Ramp 7 model include:

- Implementation of previously approved parking meter rates and citation fine amounts in 2021;
- Contract parking rates increase **40%** in both 2022 and 2025;
- Transient and parking meter rates increase **20%** in 2025;
- Fines for parking citations increase **20%** in 2025 and **10%** in 2030;
- Residential permit rates increase **20%** in 2022 and **10%** in 2027;
- All contract, transient, and meter rates increase **5%** in 2028 and every 3 years thereafter;
- The Center Street Ramp will be demolished in mid-2022;
- Construction of Ramp 7 will begin in late 2022 or early 2023, with the facility opening in January 2024;

- Ramp 7 will contain approximately 1,200 spaces and cost $38MM to build, and;
- Construction of Ramp 7 will be financed with 20-year, 4.5% bonds.

Based on the above assumptions, **Figure 5** presents the outputs of Walker's Ramp 7 financial model for the City's Parking Enterprise Fund.

Figure 5: Rochester Parking Enterprise Fund Ramp 7 Model, 2021-2030



Source: Walker Consultants

Given the assumed cost of building Ramp 7, significant rate increases would be necessary to support the construction of the Ramp and to maintain ongoing solvency of the PEF. As shown in the above figure, despite 40 percent increases to contract parking rates in both 2022 and 2025, as well as 20 percent increases in transient and meter rates in 2025, net income is still projected to be negative in 2024, 2026, and 2027 – this is the result of the new Ramp 7 and replacement 2nd Street Ramp being offline during construction. Ideally, parkers displaced from the demolition of the Center Street Ramp and the 2nd Street Ramp would be captured elsewhere in the City's parking system. However, this model takes a conservative approach and assumes that those displaced parkers are lost to the system until the new facilities are constructed, at which time they return to the system.

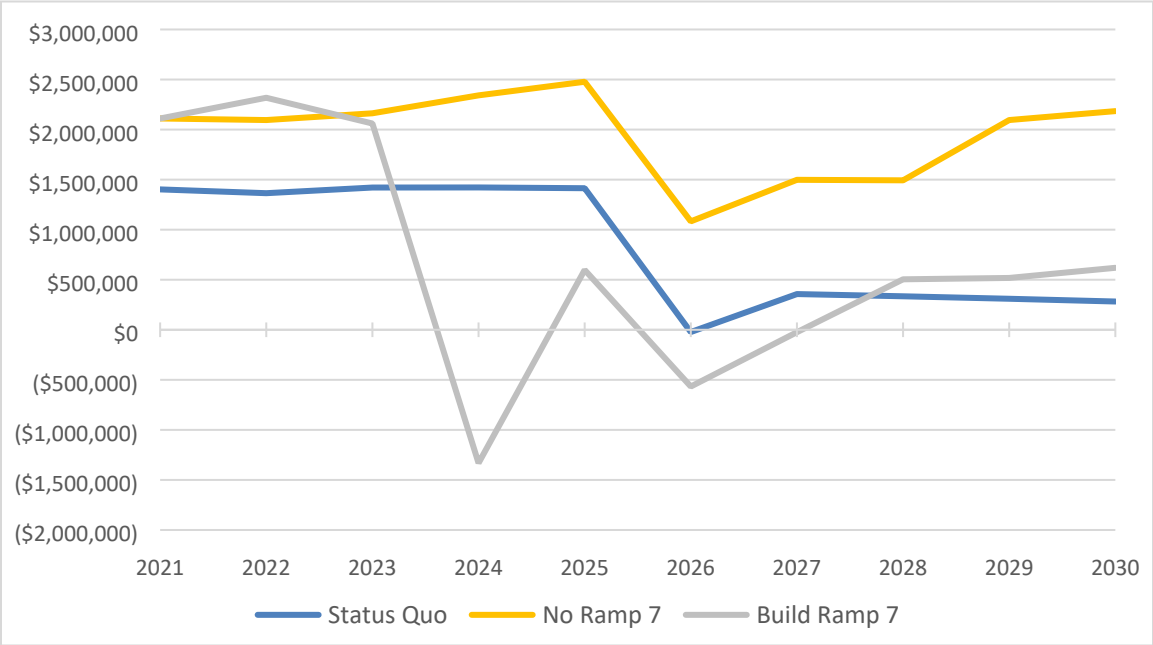
Despite the anticipated shortfalls in net income in 2024, 2026, and 2027, which may be able to be absorbed by the Fund from past retained earnings, after 2027 and beyond 2030, net income is projected to rise to a level that returns the Fund to solvency over the long term.

SIGNIFICANT TAKEAWAYS FROM FINANCIAL MODELING

As of the writing of this report, the full impacts associated with the COVID-19 pandemic were still unknown. At this point, it is impossible to predict how long parking demand in downtown Rochester might remain below historical levels or if demand will eventually return. There is even the potential for future demand to be stronger than before the pandemic, with fewer people willing to carpool or ride on transit. However, if demand for parking returns to downtown Rochester at pre-pandemic levels, based on the best information available, the Parking Enterprise Fund is projected to continue its history of strong financial performance in the future. The financial picture becomes more complicated as the City considers adding Ramp 7 to the system and replacing the aging 2nd Street Ramp.

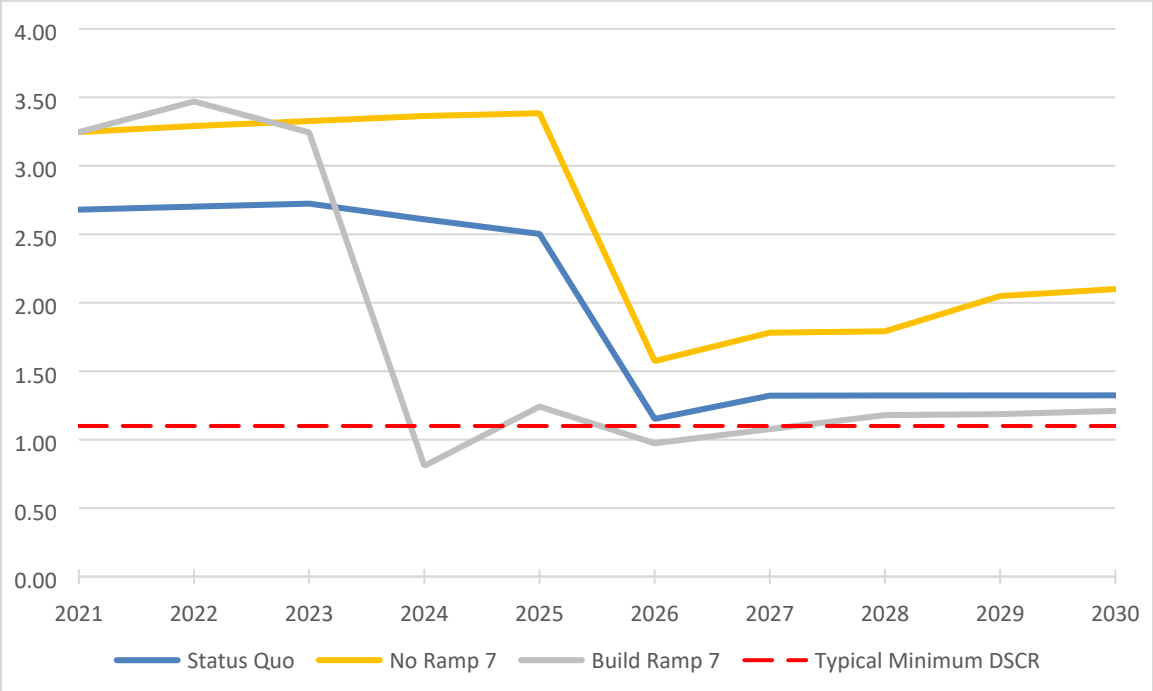
For the sake of comparison, **Figure 6** presents the anticipated net income of the Rochester parking system under the No Ramp 7, Ramp 7, and Status Quo scenarios. Additionally, **Figure 7** provides a comparison of the anticipated Debt Service Coverage Ratio ("DSCR") of the Fund under all three scenarios.

Figure 6: Parking Enterprise Fund Financial Modeling Net Income Comparison



Source: Walker Consultants

Figure 7: Parking Enterprise Fund Financial Modeling Debt Service Coverage Ratio Comparison



Source: Walker Consultants

As shown in the above figures and presented in the discussion, assuming that the parking system continues to operate as it does today with the replacement of the 2nd Street Ramp in 2025/2026, the Status Quo model projects that the annual net income generated by the Fund will decline over time. Eventually, this is expected to result in the Fund not being able to meet its financial obligations. However, with only the small, infrequent rate increases assumed in the No Ramp 7 model, the parking system is projected to continue generating consistent net income for the next 20 years. If Ramp 7 is added to the parking system, significant and frequent parking rate increases will be necessary for the Parking Enterprise Fund to remain self-funded over the long term.

2020 PARKING SYSTEM RATE ANALYSIS RECOMMENDATIONS

Due to the City of Rochester's ongoing recovery from the economic and social impacts of the COVID-19 pandemic, as well as the unknown nature of future parking demand in downtown Rochester, Walker recommends that contract and transient parking rates in the off-street facilities not be increased in 2021. However, Walker does recommend that the City implement the previously approved on-street meter rate increases and parking fine increases. These two changes will help ensure that the most sought after on-street spaces turnover, allowing downtown businesses to serve more customers. Additionally, the higher on-street rates will push longer-term parkers to the less expensive, off-street facilities, where there is excess capacity available. Finally, these increases will help to maintain the long-term solvency of the Parking Enterprise Fund.

Pausing any additional planned rate increases in the ramps and surface lots will give downtown retail, restaurant, and entertainment businesses, as well as other downtown employers, a chance to work their way back from the pandemic-related economic downturn. Additionally, this will allow RMP and the City the opportunity to monitor how, where, and when parking demand returns to downtown so that the parking operation and future pricing policy can be adjusted accordingly.

Beyond 2021, it is recommended that future parking rate increases be implemented based on whether the City decides to construct Ramp 7. If people coming to downtown make use of the additional public transportation alternatives set to come online, and the remaining parking demand can be satisfied with the City's existing parking resources, Ramp 7 may not be necessary. In this case, only small, infrequent parking rate increases will be necessary in the future to keep the Fund solvent. However, if significant alternative transportation options do not materialize and parking demand continues to grow in the future, the additional parking capacity of Ramp 7 may be needed. In this case, parking rates will likely need to be increased significantly and frequently in order to ensure that the PEF remains self-funded.

OTHER OPERATIONAL CONSIDERATIONS

While Walker is not recommending across the board rate increases for the Rochester parking system in 2021, there are some rate adjustments and operational changes that RMP should evaluate in the near term for potential implementation. The goal of these recommendations is to help RMP improve the overall efficiency of the parking operation and to rectify some long-standing issues with how various parking assets and privileges are priced. Due to the limited scope of this engagement, the following recommendations are presented at a high level, with a number warranting additional study prior to implementation.

In addition to the parking fine changes mentioned previously, it is recommended that RMP take the following actions related to the Rochester parking system:

- Increase Hotel Parking Rates to Match the Regular Transient Rates – Currently, hotels in downtown Rochester receive a special, discounted rate for guest parking in the City's ramps of $11 per vehicle, well below the $16 per 24 hours paid by regular transient parkers. Additionally, the hotels then charge their guests more than the 24-hour rate that would be charged to a regular transient parker. Finally, the last increase to the rate paid by hotels was in 2013-2014, when the rate increased from $10 to the current $11.

  For all the above reasons, it is recommended that RMP increase the rate paid by downtown hotels for overnight guest parking to match the all-day parking rate paid by regular transient customers. To allow the hotels time to adjust, the increased rates should be phased in over a three-year period. Additionally, as transient parking rates increase in the future, the rate paid by hotels for overnight guest parkers should also increase to match.

- Encourage Payment of Parking Tickets Online – Parkers receiving a citation in Rochester can currently pay their fine either online or in person. However, a $3 convenience fee is charged to customers who pay their tickets online versus those who choose to pay in person, resulting in many people choosing to pay in person. In order to encourage more people to pay their citations online, the City has been paying the convenience fee on behalf of customers during the COVID-19 pandemic. While successful in increasing the proportion of people paying online, this practice has had a negative impact on the PEF.

  Walker recommends that an additional fee is assessed to violators who choose to pay their citations in person and that the City discontinues the practice of paying the online convenience fee on behalf of customers. Adding a fee to citations that are paid in person will inspire more people to pay online, which will both positively impact the Fund and reduce the dangers associated with people showing up in-person to pay their citations. If a $3 fee is added for in-person payment, it will no longer be cheaper to pay in person, likely resulting in a more significant shift to online payment.

- Evaluate Demand-Based Pricing Across the Parking System – In setting parking rates, fees, and associated time limits, the logic is to control parking demand by pricing the most convenient and desirable parking higher than less convenient parking locations. The same approach is taken by theaters, stadiums, and similar venues where premium seating is priced higher than less desirable seating locations. On-Street, this encourages the turnover of convenient curbside spaces and promotes better availability of parking in

the most congested parts of the city. Off-street, pricing parking in this way gives customers options that fit their various budgets and helps to ensure that there is some availability in each facility. In places like San Francisco, these pricing policies have also been shown to increase parking system revenue, while reducing the average cost to park.

At present, on-street metered parking rates in Rochester are set based on the duration of the parking meter, rather than based on demand. While some of the meters in the highest demand areas of the downtown are priced at the highest tier, a comprehensive analysis of meter pricing versus demand has not been conducted.

Off-street, transient parking rates are the same across all the City's ramps. Monthly lease rates are the same across most facilities, other than the regular lease rates at Center Street. These uniform rates are in place even though the facilities in the heart of downtown are consistently in greater demand than those facilities on the edges of downtown.

To address these pricing imbalances, Walker recommends that RMP investigate the potential to implement demand-based pricing both on- and off-street. This process begins by gathering data related to on- and off-street utilization on a street-by-street and facility-by-facility basis. The data is then analyzed to determine areas of high and low demand. A pricing policy would then be devised to allow parking rates to be adjusted within a set range over time to respond to shifts in demand and utilization. Once parking rates have been set based on the existing demand characteristics in downtown, future utilization data is periodically analyzed to identify the effects of the pricing policy and make any necessary adjustments.

- Analyze the Parking System's Operating Expenses and Identify Potential Efficiencies – While the entire focus of Walker's work during this parking rate study and the 2017 study has been on the revenue side of the parking operation, there may be opportunities to improve the long-term financial performance of the Fund through reductions in operating expenses as well. As shown previously in Table 1, the annual cost to operate the parking system is nearly $5MM in 2019. If these operating costs could be reduced by 5-10 percent, that could mean several hundred thousand dollars in additional retained earnings for the Fund each year.

  Technology enhancements are one area where there may be opportunities to improve the efficiency of the parking operation. Using new technology in the parking ramps and for the enforcement of on-street parking regulations, it may be possible for RMP to both increase the revenues generated by the system, while also reducing operating expenses. For this reason, Walker recommends that RMP evaluate the potential to enhance, upgrade, or replace existing on- and off-street parking technology to better capture revenue and reduce the amount of labor necessary to operate the parking system.

  In addition to payment and enforcement technology, it may be possible to reduce operating expenses through upgrades to lighting systems within the facilities, rebidding the operating contract for the off-street facilities, outsourcing the operations of the on-street meter system, or other system changes.

Each of the above-identified actions have the potential to increase the revenue generated by the parking system, reduce operating expenses or both. Like future adjustments to public parking rates, the intent of these recommendations is to ensure that the PEF remains financially solvent in the future, while also fostering continued economic activity and development in downtown Rochester.

STATEMENT OF LIMITING CONDITIONS

This report and recommendations are based on certain assumptions that are either outside Walker's control or that of the client. To the best of Walker's ability, we analyzed available information that was incorporated in projecting the future performance of the parking system and proposed improvements. This report is subject to the following limiting conditions:

This report is to be used in whole and not in part.

1. Walker's report and recommendations are based on certain assumptions pertaining to the future performance of the local economy and other factors typically related to individual user and/or parking system characteristics that are either outside Walker's control or that of the client. Walker analyzed available information that was incorporated in projecting the future performance of the parking system and proposed improvements to the best of our ability, but Walker does not guarantee the results or conclusions.

2. The results and conclusions presented in this report may be dependent on future assumptions regarding the national, international, or overall economy. These assumptions and resulting conclusions may be invalid in the event of war, terrorism, economic recession, rationing, or other events that may cause a significant change in local or national economic conditions.

3. Projections presented in this report are conceptual estimates, preliminary or conceptual in nature, and may be dependent on future events or the completion of future projects as presented by the client or others. Actual events and the results realized may differ from the prospective estimates and projections in this report.

4. Walker assumes no responsibility for any events or circumstances that take place or change subsequent to the date of our field inspections.

5. All information, estimates, and opinions obtained from parties not employed by Walker Parking Consultants/Engineers, Inc. are assumed to be true and correct. We assume no liability resulting from the information presented by the client or client's representatives or received from sources normally considered to be reliable.

6. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property. It is assumed that the use of the land and improvements is within the boundaries of the property described.

7. None of the contents of this report may be reproduced in any form for external use by anyone other than our client without our written permission. This report, in whole or in part, may not be disseminated to the public through advertising, public relations, news, sales, or other media without our written permission. Such permission will not be unreasonably withheld.

8. The quality of a parking facility's on-site management has a direct effect on a property's economic viability. The projections presented in the analysis assume responsible ownership and competent management. Any departure from this assumption may have a negative impact on the conclusions.

9. Some of the figures and conclusions presented in this report are generated by computer models that use and generate precise numbers. The use of seemingly exact numbers is not intended to suggest a level of accuracy that may not exist. A reasonable margin of error may be assumed regarding most numerical conclusions. Conversely, some numbers are rounded and as a result some conclusions may be subject to small rounding errors.

10. This report was prepared by Walker Consultants. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of Walker Consultants as employees, rather than as individuals.

11. This report is set forth as a Parking Rate Analysis. This report is not an appraisal report.